GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1731
ANSWERED ON:25.07.2002
POWER SECTOR INVESTMENT
GANTA SRINIVASA RAO

Will the Minister of POWER be pleased to state:

(a) whether according to the survey by Economic Research of India, major Indianand overseas promoters in all the 23 power projects worth more than Rs.50,000 crore have withdrawn their interest in the projects;

(b) if so, the details thereof; and

(c) the steps proposed to be taken to attract the promoters in the Power Projects?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER(SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : Government is aware of the news item appearing in the Economics Times of 22nd April, 2002 quoting Economic Research India Survey.

The details, as per information available, in regard to foreign investors who have withdrawn from power projects, are mentioned below:

(i) M/s Cogentrix Energy Inc., withdrew from the 1013.2MW Mangalore ThermaProject, Karnataka. No reasons for the withdrawal were indicated by the company.

(ii) M/s Electricite de France, a French Power Company, conveyed its decision towithdraw from the 1082MW Bhadrawati Thermal Plant in Maharashtra. The following reasons were indicated for pulling out from the project;

(a) Inordinate delay in getting clearances from various authorities.

(b) A very high coal price sought by the coal supplier.

(c) Lack of proper commitment to escrow arrangements.

(iii) In the case of the Maheshwar Hydel power project (10x40MW), Madhya Pradesh,M/s Bayerwerk View decided to pull out due to reasons not specific to the project. M/s Ogden Energy, USA, exited from the same project due to its own reasons viz., internal restructuring and changed business focus.

(iv) In the case of the 1070MW Korba East Thermal Project, M/s Daewoo Power(India) Ltd. gave termination notice to the Government of Madhya Pradesh on 14.8.2000 citing inability of the Madhya Pradesh Electricity Board to provide payment security.

(v) In the case of the 420MW Bakreshwar Thermal project in West Bengalunits 4&5, the Government of West Bengal, informed that M/s Bakreshwar PowerGeneration Co. Ltd, which is the Joint Venture Company set up by the WestBengal Power Development Corporation, M/s DCL andM/s Ogden Energy AsiaPacific Ltd., for setting up the project, has since been wound up and M/s Ogden Energy Asia Pacific has exited from the Joint Venture Company.

(vi) In the case of the 150 MW Gouripore Thermal Power Project in West Bengal, theState Government have revoked the authorization under Section 18A given to M/s. Gouripore Power Company Ltd and have authorized West Bengal PowerDevelopment Corporation to establish, own , operate and maintain the Gouripore Thermal Power Project with a revised configuration of 2x125 MW.

(vii) In the case of the 6x660 MW Hirma Thermal Power Project, which is beingdeveloped as a mega power project, the foreign promoters of the project, M/s. Mirant Asia Pacific Ltd have announced their withdrawal from the project statingthat several key milestones for activities relating to payment security mechanism, Fuel Supply Agreement, Implementation Agreement and Transmission Services Agreement had not been met.

Inability of the State Electricity Boards to provide adequate payment security cover to theprivate sector power projects, which is a requirement of the project developers and more particularly the financial institutions, has been one of the main reasons due to which the majority of private sector power projects could not achieve financial closure in spite of progressing well on other fronts.

(c) : Government has initiated the process of reforms with a view to improving the financial condition of the various power utilities in order to make them commercially viable. The States have accepted the need for power sector reforms. A consensus was reached in the Conference of Chief Ministers/Power Ministers held in March, 2001 on the need to depoliticise power sector reforms and speed up their implementation and that the real challenge of reforms lay in the distribution sector. It was resolved in the conference to achieve break even in distribution in two years time and achieve positive returns thereafter. It was also resolved that State Electricity Regulatory Commissions (SERCs) would be made functional and tariff petition filed and subsidy would be given, if required only to the extent of State Government`s capacity to pay the subsidies explicitly through budget. The Government of India has signed Memorandum of Understanding (MOU)/Memorandum of Agreement (MOA) with twenty-two States. These reflect the joint commitment of the Centre and the States to undertake reforms in a time bound manner. The State Government`s commitment in these MOUs include setting up of the State Electricity Regulatory Commission, 100% metering of 11 KV feeders, effective energy audit, identification and elimination of power theft and attainment of commercial viability in distribution. Government of India has committed its support through additional allocation of power from central Generating Stations and financial assistance for strengthening of sub-transmission and distribution as well as for renovation and modernization of power plants. Government have launched the Accelerated Power Development and Reforms Programme (APDRP) to assist the states in improving their sub-transmission/distribution system in identified circles and to provide incentive grants linked to the bridging of the gap between cost of supply and average revenue per unit. Twelve State Electricity Regulatory Commissions have passed tariff orders, which reflecta trend towards tariff rationalization. It is expected that with effective implementation of reforms commercial viability would be achieved and the confidence of investors in power sector will improve.